

Strategic Case Study in the Portuguese Fashion Industry

D I E L M A R

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Abstract

Title: *Dielmar* - Building up a sustainable competitive advantage

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The thesis presented in the form of a case study aims to address the challenges that a Portuguese fashion company, *Dielmar*, faces in building up its competitive advantage over time. The case serves as a teaching instrument; it provides students the necessary tools to analyze the strategic frameworks. Therefore, they will apply general principles and theories to a specific situation. The case is focused on the analysis of resources and capabilities' development taking into account external shocks and internal changes.

Dielmar Company operates in the menswear premium market. It is a fashion designer, producer and distributor of menswear garments through its own label but it also produces for other brands as a contract manufacturer.

As the 21th century dawned, Dielmar sensed threats in the Portuguese menswear manufacture industry and found out opportunities in the menswear market. In order to seize these opportunities and to manage threats, Dielmar decided to launch its own brand by using, upgrading its resources, and adding new ones. Indeed, it has adapted its activities by developing high-quality garments and sustaining its traditional craftsmanship. Those dynamic capabilities showed how Dielmar has integrated its resources to make them relevant to achieve a sustainable competitive advantage.

The company became more vertically integrated and follows this strategy seeking a higher degree of verticalization with investments in the direct-to-customer channels. Its vision is to be recognized as Menswear Company of excellence striving for brand consolidation. Indeed, Dielmar is becoming more a fashion brand than a subcontractor.

Resumo

Título: *Dielmar* - construir uma vantagem competitiva sustentável

Autora: Inès Cazaux

Esta tese é apresentada na forma de um caso de estudo, tendo o objectivo de retratar os desafios que uma empresa Portuguesa na industria da moda, *Dielmar*, enfrenta ao longo do tempo para construir a sua vantagem competitiva ao. Este caso serve como um instrumento de ensino, providenciando as ferramentas necessárias para analisar enquadramentos estratégicos. Consequentemente, estes irão aplicar princípios e teorias gerais a uma situação específica. O caso é focado na análise do desenvolvimento de recursos e capacidades, tendo em consideração choques externos e mudanças internas.

A *Dielmar* opera no segmento premium de vestuário masculino. Esta desenha, produz e distribui o vestuário masculino através da sua própria marca, como também produz para outras marcas como fabricante por contratado.

Com o despontar do século 21, *Dielmar* começou a sentir as ameaças que o mercado português apresentava na industria de manufatura de vestuário masculino. De forma a capitalizar as oportunidades e a gerir as ameaças, *Dielmar* decidiu lançar a sua própria marca, melhorando e adicionando novos recursos. Desta forma, tem vindo a adaptar o seu negócio ao desenvolver vestuário de alta qualidade e ao sustentar a alfaiataria tradicional. Estas capacidades dinâmicas mostram como a *Dielmar* tem vindo a integrar os seus recursos de forma a obter uma vantagem competitiva sustentável.

A empresa adotou uma estrutura mais verticalmente integrada e segue a sua estratégia através de um maior nível de verticalização, com investimentos em canais diretos ao consumidor. A sua visão é de vir a ser reconhecida como uma companhia de excelência na produção de vestuário masculino, lutando assim para uma consolidação da marca. Ao seguir esta estratégia, *Dielmar* está a seguir na direção de uma marca de moda ao invés de um subcontratado.

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Thirdly, I would like to thank my family and particularly my mother for being my main source of strength, which has always made my academic life possible. She continuously encourages me to do my best and always believe in me. Her encouragement build up my determination and gives me the desire to always take it to the next level.

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ABBREAVIATIONS

CA - Competitive Advantage

DC - Dynamic Capabilities

RBV- Resource Based View

1. Methodology

In order to demonstrate the suitability of the dynamic capabilities and to further investigate the process implied from resources to competitive advantage, I processed a practical case study. Indeed, it provides me the tools needed to analyze the strategic managerial ecosystem. Therefore, applying general principles and theories to a specific situation allows me to better understand them and prove their usefulness. (Roberts, 2001)

1.1. Case-study method

Several factors led me to focus my thesis on a Portuguese fashion company. Firstly, the industry dynamism shows the importance of adaptation between the companies' resources and their markets to sustain a competitive advantage. For the last decades, the Portuguese fashion industry has known several shocks. Thus, the fashion actors had to keep innovating their own structure as much as their activities in order to perform. Secondly, the firm's time relevance, positioning, and the development of its activities are relevant to apply the proper theory. Moreover, the role of the actual CEO in the company's development was useful to understand the leader's role in the Dynamic Capabilities view.

Along the case study, the fashion ecosystem will be analyzed and the particular Portuguese company case will further explore this environment giving the right path to perform.

1.2. Data Source

The categories of relevant data to conduct this research are the secondary data, obtained on previous studies, industry reports and articles and the primary ones, based on direct observations, interviews and other direct contacts.

1.2.1. Secondary data

The analysis of the secondary data describes the important components of the industry and gives an overview of the company's ecosystem. Highlighting the changes and using

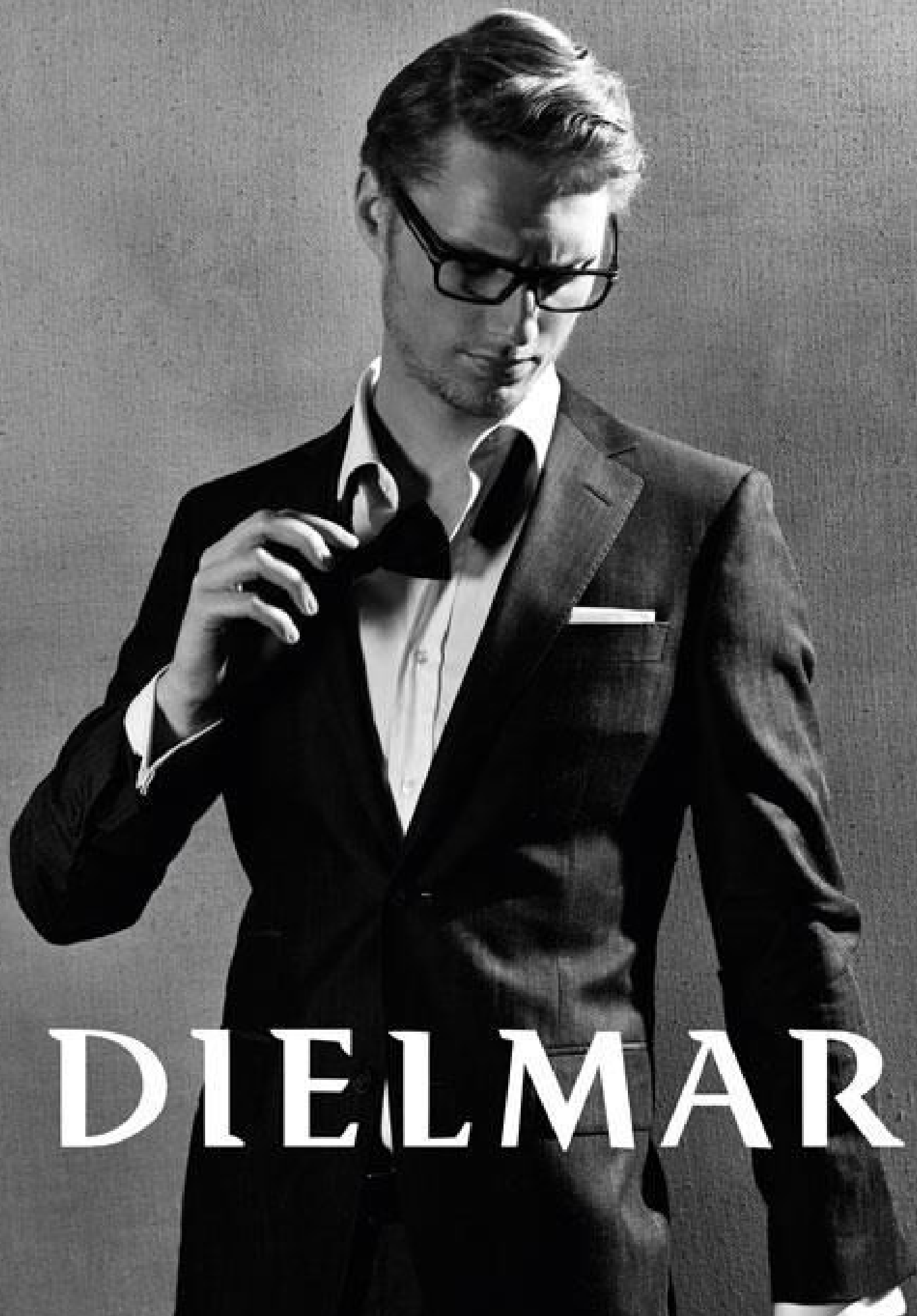
environmental analysis tools is indispensable to understand the evolution of the company. The two operational markets of the company: the textile manufacturing industry and the menswear industry were analyzed. In addition, the company's information available was collected to make primary data collection more specific and to emphasize what useful information should be collected.

1.2.2. Primary data

The assessment was to understand the company's activities and journey. The nature of these data was useful for the precision of the study's purpose.

Figure 1. Summary of Primary data collection

<i>Sources</i>	Company's departments	
<i>Interview</i>	-Direction -Marketing & Communication -International Sales & Brand Development	-Ana Paula Rafael -Marta Carvalho -Miguel Nuno Rodrigues
<i>Direct observation</i>	-2 days at Dielmar's headquarter and manufacturing Visit of the manufacture Visit of the supportive area -Visit to Dielmar's store and Department store	
<i>Direct contact</i>	-CEO	-Ana Paula Rafael
<i>-Phone call</i>	-Human Resources	
<i>-Email exchanges</i>	-Financial -Marketing & Communication	-Marta Carvalho



DIELMAR

2. Case study: Dielmar

At the end of the 20th century, Dielmar launched its own-label offering menswear. After more than 35 years producing menswear garments for other brands as a contract manufacturer, the company expanded its business to fashion design.

Nevertheless, even with the suitable resources, it may be difficult for Portuguese companies to not be only manufacturers but also designers.

“Portugal could be the perfect place for designer”

(Forbes, 2013)

Portugal fashion industry faces challenges in the development of capacities to achieve a competitive advantage despite resources’ ownership -

“Portugal will remain very attractive source, since the labour costs are not likely to change (...), therefore its core competitive advantage will remain unchallenged”

(Business Of Fashion, 2015)

José Neves - Farfetch Founder & CEO.

2.1. History ¹

2.1.1. 1965-1998

In 1965, four master tailors (**Dias**, **Hélder**, **Mateurs** and **Ramiro**) combined their names and expertise to found a traditional menswear tailoring business: Dielmar, in the east of Portugal, in Alcains.

In 1966, Dielmar started to deliver its products for Portuguese retailers. Rapidly, the company has created a strong quality manufacturer reputation among menswear retailers in Portugal. At this time the company’s turnover was €805 000 and held 25 employees.

At the age of globalization with strong competition, fashion players had to adapt their businesses. They do so by decreasing production costs, mostly using lower labor costs and by

¹ Appendix 1

increasing market shares developing exportation. In Europe, Portugal was one of the main players in the textile manufacturing industry (ATP study, 2003). At the end of the 20th century, the Portuguese industry was characterized by mass production, allowing strong economies of scale and also low salaries. Furthermore, the European Economic Community has reinforced the economic integration among its members and encouraged European companies to outsource their textile manufacturing operations in Portugal.

Dielmar took those opportunities in the European market. In 1978, Dielmar exported for the first time its products as contract supplier and industrial scale producer. In 1999, the turnover was €12 785 000, the Portuguese activities represented 80% and the other markets 20%.

In the nineties, European textile manufacturing industry passed through stormy weather. Indeed, it faced relocation of manufacturing across the textile value chain as well strategic moves of the main players. New competitors emerged with the suppression of trade barriers across the world stemming from the internationalization process. China became an active player in manufacturing activities offering lower labor costs and raw materials. Therefore, fashion players started to outsource their production in this competitive market. Consequently, the European industry lost one third of its production volume in favor of Asian countries (TEXmedin report, 2008). Those changes did not spare Dielmar activities forcing the company to innovate.

2.1.2. 1999-2001

In 1999, Ana Paula Rafael, the daughter of one of the founders became the actual CEO. She was already involved in Dielmar's business since her early childhood. Straight after taking office, she sensed the impending threat in the Portuguese menswear manufacture industry. She anticipated a decrease in their activities in the long-term. It was necessary to manage this threat by adapting and innovating Dielmar's activities.

"I really understood the importance of finding a new path to stay alive with the entrance of Asian competitors "

Ana Paula Rafael - Dielmar's CEO

Because of Asian competition, Dielmar's model based on labor-intensive production was no longer an advantage. Hence, Ana Paula Rafael had to reorganize Dielmar's competitive

advantage. She achieved this aim by bringing out the high-quality side and keeping the traditional craftsmanship of the production. The company improved the production process with the acquisition of high-tech skills. The company launched strategic initiatives and improvements in logistic processes. Employees were trained and logistic practices were upgraded in both supportive and manufacturing areas. Thanks to these improvements, Dielmar obtained the ISO 9001 norm² certification (See Appendix 2). It was helpful to establish management rules, principles and policies.

Furthermore, after 35 years dealing with fashion companies, Dielmar found out some new opportunities in the menswear market.

“After a lot of years being present in the menswear manufacturing industry I realized that some offers were missing: ceremony garments and also made-to-measure”

Ana Paula Rafael - Dielmar's CEO

In 2001, Dielmar launched its own label, Dielmar brand. For 35 years Dielmar was producing for different menswear brands. This experience gave them suitable knowledge about the industry mechanisms. The creation of the brand was a long process. The company had to face new requirements integrating new resources. Dielmar incorporated external knowledge and outsourced some activities. The company integrated new team in the operations' value chain to design brand's products but also in the supportive area with the sales department and the marketing department. However, to implement all the new procedures, the company had to reorganize its activities. Dielmar improved its know-how by learning, transferring, and integrating new skills and expertise. Therefore, in-house processes are efficient to run the whole value-chain.

Dielmar developed suitable resources to produce high-quality garments and owns a *savoir-faire*, which are very valuable for customers.

In 2011, FACCE, a venture capital fund enter in the company organizational structure. Indeed, the company faced a lack of financial resources to develop the company.

² Developed by the International Organization for Standardization. ISO 9001 sets out the requirements of a quality management system (Principles - Appendix 4)

2.2. Organizational structure

2.2.1. Employees

Nowadays, Dielmar has 400 employees. Firstly, the manufacturing activities gather 300 people working in unique plant. They support all upstream activities. Six people compose the R&D and Design team. Then, the seamstresses are dedicated to production activities: cutting, sewing, and assembling all components of the final garments. Across the production there are control quality stations to ensure the quality of each garment. One team is also dedicated to maintenance of machines and all materials supporting the manufacturing. Secondly, the supportive area in which 130 people work to sustain Dielmar's core business. 60 people are split into different departments: Finance and Accounting, Human Resource, Taxes, Law, National and International sales, Logistic, etc. And the selling activities employ 40 people who take care of Dielmar sales.

“All employees work by heart”

Miguel Nuno Rodrigues - International Sales & Brand Development Manager

The Dielmar's work force has a high employee retention rate giving important advantages: efficient production, cost savings and a unique culture with a strong sense of belonging.

“I have been working at Dielmar since 22 years, it is my second family”

Dielmar's Seamstress

2.2.2. Management

Starting as a craftsman's workshop and an organization of friends, Dielmar has developed strong familial values and they never disappear. Nowadays, the Rafael's family (one of the founders) owns the majority of Dielmar. Her daughter is the actual CEO and her son works in the supportive area. Along the history, the company has developed a paternalistic style of management. Some laborers work at Dielmar since they entered in the labor market. Top managers know well the employees. Besides, the only building regrouping both manufacturing and supportive areas allows keeping tight relationships. Nevertheless, there is a formal hierarchy. Even translated by the building's structure; the laborers are on the first floor and the supportive area on the second floor. The Human Resource department is located

“close to the employees” to ensure good relationships: the office is on the same floor that the manufacturing. (See Appendix 3)

2.3. Vertical-integrated Value Chain³

Since Dielmar was founded, it has produced for other brands; which gave it suitable knowledge about the industry mechanisms. Then, the internal company assessment demonstrated Dielmar’s potential to develop its own brand. Its technical knowledge defined by employees’ skills and its manufacturing resources were suitable for the firm’s development. By creating its brand, the company integrated the activities missing in the value chain: Design in the upstream activities and the downstream part. The company uses its resources and takes advantages of the fully integrated value chain to offer high-quality products combined with its traditional craftsmanship. Indeed by controlling all the value chain, the company streamlines its activities from the manufacturing to the sales part and monitors the demand. Furthermore, it can rapidly adapt its offers to changes thanks to feedbacks from the customers in its own-stores and from the retailers (wholesale segment).

Dielmar production could be divided into two types of activity. The *upstream activities* with four distinct stages: firstly, **R&D** is undertaken in order to improve the functional performance of a product. This activity is closed with innovations in input, production techniques and logistic process. The **design** part is only devoted for Dielmar’s brand. Secondly, the **material supply** represents all the raw materials necessary to produce the garments. Thirdly, the **manufacturing** is transforming raw materials in the correct shape into finished products. Fourthly, the **distribution** is packaging finished products and ensuring the products are shipped to the correct location on time. Then the *downstream activities* that represent **offline retail** with physic selling processes (Wholesale, Retails stores).

2.3.1. Upstream Activities

R&D - Design activities: they are carried in-house. These activities are where the brands’ core competencies lie: they own resources and skills that drive the success of their products.

³ Fashion value chain definition - Appendix 10
Dielmar’s value chain - Appendix 11

The company designs trendy, unique products with distinctiveness. As with the luxury business model, Dielmar creates its unique DNA and brand awareness by controlling such activities. The creative design of Dielmar's brand defines its traditional craftsmanship and its technical design exceeds customer's expectation.

Material Supply: The fabrics respect a top quality coming from excellent suppliers mainly from Italy, Spain and Germany renowned in the international market - *Lanificio F.LLI CERRUTI, Ermenegildo Zegna, REDA, Marzotto group, Loro Piana*. Materials are cashmere, silk, pure wool, cotton and horsehair canvas. The geographic proximity of the suppliers allows company's responsiveness and control.

Manufacturing: Dielmar owns one plant representing a facilities area of 15 000 m² allowing the production of 100 000 jackets and 150 000 trousers per year.

The company manufactures 80% of Dielmar products: suits, jackets, coats, parkas, tailcoats, gabardine, shorts and outsources the fabrication of the other 20%: ties, sweaters, scarves, cufflinks, underwear, sunglasses, belts. The production of those products requires specific resources and Dielmar does not own the necessary competences.

According to the demand, the in-house processes monitor the production.

Distribution: The products packaging is made in-house.

However, a third-part carries of the logistic process sending products at the right time to the correct location.

2.3.2. Downstream Activities

Downstream activities are carried of Dielmar's products. The products are sold through two segments: Retail with its own-stores and Wholesale.

Offline sales:

Own-stores - Dielmar's retail segment is only represented in Portugal. It is in its stores that Dielmar offers the made-to-measure service. In 2014, the company had nine own stores across Portugal⁴. By owning the stores the company creates a strong and consistent value chain by having direct feedback from consumers, by adapting continuously to market trends and decreasing intermediary costs. Therefore, it reinforces the brand DNA.

Wholesale - Dielmar products are available in 150 retail shops around thirty countries. In all markets, Dielmar follows the same strategy being represented in the best multi-brand and department stores. For Portugal and Spain in *El Corte Inglés department stores*, the store

⁴ Almada, O porto, Cascais, Castelo Branco, Coimbra, Covilhã and Lisboa

Capodopera for Budapest, *Boyner Group* in Turkey, *Circle Boutique* and *Krasnoyarsk* for Siberia and Russia or *Ramelagh* Menswear in Dublin.

Online sales: Dielmar does not sell online as since early 2017

2.4. Business Model

In 2016, 70% of its revenues provided from contract manufacturer activities and 30% from its own-label.

2.4.1. Contract manufacturer

Until nowadays, the core business of the company is outsourcing its internal manufacturing processes to contract manufacturers. In 2016, Dielmar contract manufacturers activities represent 70% of its revenues. The clients own the brand rights and Dielmar is in charge of the manufacturing of the garments. The clients provide the design of the garments and select with Dielmar the type of the fabrics and decide all other agreements as the costs, the deadline, etc. Then Dielmar produces and distribute them. The supplier company is the one who offers the outsourced product to the consumer.

Even if Dielmar maintains good relationships with its clients, it has to consider them as its biggest threat due to the reallocation risk of their activities to other competitive markets. That's why Dielmar would like to convert its contract manufacturer activities into the production of its own-label.

2.4.2. Fashion brand

Dielmar brand belongs to the Affordable Luxury segment using the combination of luxury codes with the fast-fashion features. Firstly, the luxury aspects provide the creative design content and also the quality fabric. Secondly, its products are highly available for an affordable price; both characteristics from the fast-fashion segment. The company designs, produces and sells suits, jackets, coats, shirts, ties, etc.

“Affordable luxury is the post-financial crisis sweet spot”

The growth of affordable luxury brands reflects a shift in middle income shopping culture in austerity hit developed markets.

(Euromonitor, 2015)

2.4.2.1. Customer Profile

The customer target is a man of 30-60 year-old having an urban lifestyle and belonging to medium/high socio-economic class. His work position is an executive role. He is cultivated and has sports' interests.

2.4.2.2. Products

Dielmar products could be divided into two ranges: the ready-to-wear and the made-to-measure. The ready-to-wear has four distinct lines: *Dielmar Must*, *Classic*, *Soft* and *Cerimonia* (See Appendix 9). Then, the custom-made tailoring service offers a unique and perfect fitting suit in three weeks only available in the mono-brand stores.

“ Be recognized as Menswear Company of excellence”

Dielmar Vision

2.4.2.3. National Brand Recognition

The brand name is a crucial choice; indeed, it is the first customers' perception about the product/ the service. When the company decided to launch its own-label, the concern was in the mind of all managers. The company already owned a good image with Dielmar's name through the retail actors. In addition, the reputation of the company already spoke to Portuguese in terms of high quality menswear with a strong attachment to the country of origin. Therefore, they kept the name of the company for the label. Moreover, Dielmar is memorable and could be easily adapted for promotion and for internationalization.

“When we launched the brand, our only capital in the menswear market was our name”

Ana Paula Rafael - Dielmar's CEO

To expand the brand and create brand-awareness, the company has been participating in the national fashion industry with the presence in the runway shows. Furthermore, Dielmar has been sponsoring businesses, events and shows of national reputation in agreement with their customer target. The exposure strongly reinforces its reputation, its position in the Portuguese menswear market. Lately, the brand exposure spreads Dielmar in international markets; for

instance the last event, the sponsorship of Portuguese football team during the Euro football Championship 2016.

2.4.2.4. International Expansion

The internationalization process of the brand started with the participation of global events (international fairs) in order to create brand awareness, meet clients and also to assess opportunities and threats. Recently by its gain of brand exposure in international market, Dielmar is present in international fashion events (Serbia Fashion week in 2015). Therefore, the company prospects for new markets analyzing the environment, the opportunities and the threats. When Dielmar went to new markets, they prefer to outsource the sales activities. The principal reasons are the risk of investment and for some markets the environmental barriers. Nevertheless, realizing their success in Middle East and becoming more familiar with this market, they are planning to open in the coming years their own-stores supported by a partner.

2.5. Outlook and Dielmar's strategy

2.5.1. Environmental perspective

Looking overall at the fashion industry is going well since the beginning of the 21st century. In 2014, the worldwide menswear sales represented €395 billion. The sales' expectation for 2020 should increase of 6% (Business Of Fashion, 2015).

“Growth in menswear is fuelled by a greater focus on personal appearance combined with large disposable income”

Magdalena Kondej - Head of Apparel and Footwear research

The menswear's consumption way is different from the one of women; the online segment has a greater importance in the menswear than in the women market. Men are more utilitarian; they focus on convenience and price what is facilitated by the online stores. From 2010 to 2015, online menswear sales grew 17.4% (IbisWorld, 2016). And it predicts that it will continue to increase with an annual average of 14.2% between 2015 and 2020. In 2012, menswear industry has known a turning point with its democratization through the world recognition in the fashion industry. London has launched the first menswear fashion week followed by other famous fashion cities.

According to the Euromonitor Report (2016), in Portugal, in 2015, menswear sales grown of 1% and have registered €1.4 billion boosted. The actual forecast expect seeing menswear sales in constant prices reach €1.6 billion in 2020. The Portuguese competition landscape is mostly covered with Inditex group. Zara Portugal Confecções Lda led menswear sales in 2015 with an 8% value share. Its strong reputation is due to its fashionable garments at competitive prices. The second big player is Homino Emerito owned by Mango group. Both companies are in the fast-fashion segment (Euromonitor report, 2016). The premium menswear market is less concentrated meaning that a high number of small players have been able to grow and remain highly competitive.

The global demand may continue to rise; mostly thanks to millions of people in the developing countries who enter in the middle class spending more on apparel and according more importance of personal appearance. Furthermore, in the textile manufacturing industry, Portugal stays well positioned. Even today, textile and leather Portuguese producers are among the leaders in the European exports. Indeed, they provide high quality products and lower costs compared to other European countries. Nonetheless, the competition is strong, Asian markets stay very competitive and it is more and more difficult for the company to compete.

2.5.2. Dielmar strategy

The strong competition in the menswear manufacturing industry encourages the company to become more a fashion brand with an integrated value-chain than being a contract manufacturer. To go through the future steps, the company continues sustaining its capabilities of high-quality garments and traditional craftsmanship to increase brand recognition and expansion. The retail strategy of the company is also aligned with the upstream strategy expanding its fully integrated value chain with investments in the direct-to-customer channels both online and offline. The aim is to have a better contact with customers and to manage the overall purchase experience but also to decrease the intermediary costs.

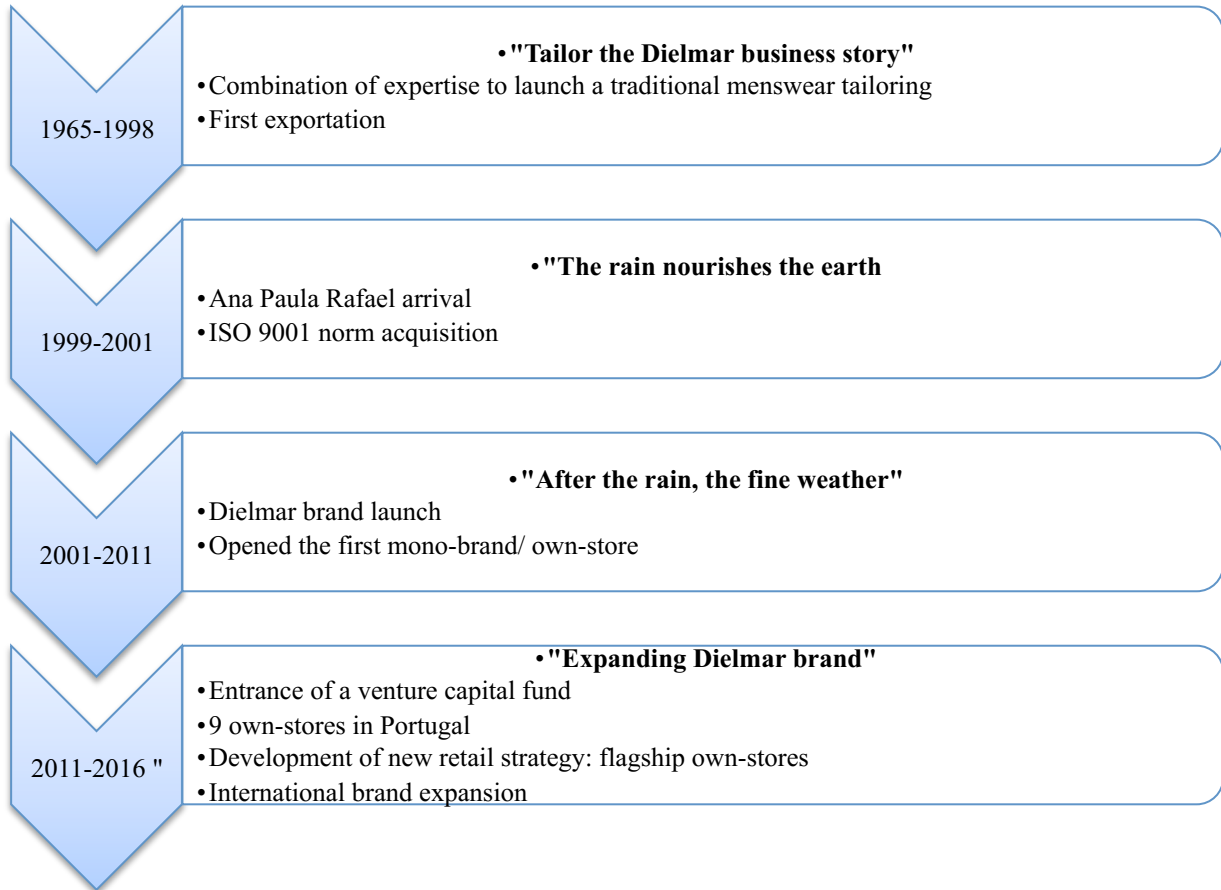
In 2015, 3 own-stores closed in Portugal following a new strategy in their retail activities. The company wants to own flagship stores with high-profitability and create stronger brand awareness.

“Be recognized as Menswear Company of excellence, both with product and service customer centered, with global notoriety, maintaining an image of credibility and competence”

Dielmar’s Vision

Appendices

Appendix 1. Dielmar's Journey



Appendix 2. ISO 9001 norm

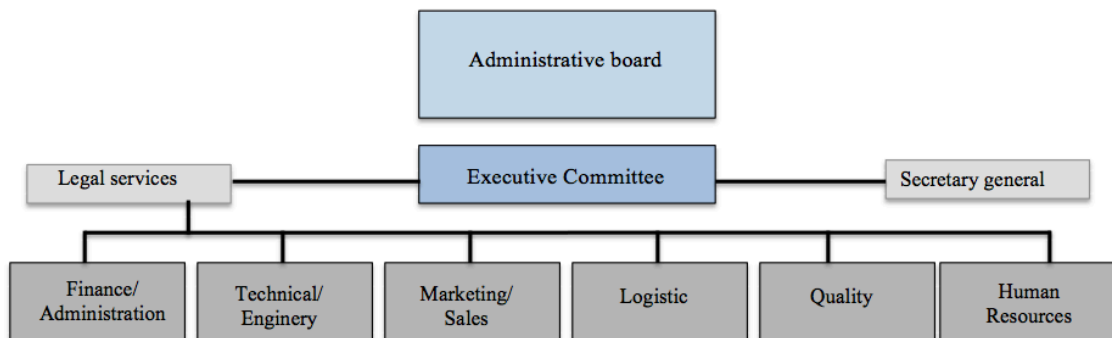
“ISO 9001 is an International Standard that gives requirements for an organization’s quality management system”

It is a statement of product/ service conformity; it reinforces the quality management system with a formal declaration on international standards. Consequently, Dielmar’s clients (B2B) are more confident in Dielmar’s ability to deliver consistent and confirming products. The acquisition of this norm was mostly to reinforce the manufacturing business. It helped Dielmar’s in its organizational processes with management rules, policies and principles.

There are seven quality management principles:


- (1) Customer focus
- (2) Leadership
- (3) Engagement of people
- (4) Process approach
- (5) Improvement
- (6) Evidence-based decision making
- (7) Relationship management

Appendix 3. Dielmar's Organization Chart



Appendix 4. Fashion Value Chain Definition

- **Upstream activities**

 **R&D** is undertaken in order to improve the functional performance of a product. In this activity, companies are closed with innovations in input, production techniques and logistic process. **Design** is focusing on the creation of products in planning, fashioning, form and style



Material Supply represents al the raw materials necessary to produce the items



Manufacturing is transforming raw materials in the correct shape into finished products



Distribution is packaging finished products and ensuring the products are shipped to the correct location on time

- **Downstream activities**









Offline retail represents physic selling processes (Wholesale, Retails stores, Franchise)



Online retail represents online selling processes (Mono-brand and Multi-brands websites)

Appendix 5. Dielmar's Value Chain

Upstream activities			Downstream activities		
<u>Design and research & development (R&D)</u>	<u>Material Supply</u>	<u>Manufacturing</u>	<u>Distribution</u>	<u>Offline sales</u>	<u>Online sales</u>
					
In-house: Design team <i>Creative and technical design</i>	Outsourced: mainly from Italy, Spain and Germany	In-house: suits, jackets, coats, parkas, tailcoats, gabardine, shorts Outsourced: ties, sweaters, scarves, cufflinks, underwear, sunglasses, belts <i>Technical knowledge</i>	Outsourced	In-house: 6 owned-shops Outsourced: Wholesale: specialized retailers, multi-brand and department stores)	<i>No online sales</i>
<i>In-house processes</i>					



Dielmar's store

Appendix 6. Steps in Suit Jacket Production

The suit jacket is going through 215 different posts across 5 production steps

1. Design

The creative team designs the pattern of the jacket choosing the fabric, the colors and all elements composing it.

2. Raw materials - Fabrics

Fabrics are sending by suppliers to Dielmar's manufacture. The companies stock them in its warehouse.

-Quality control station: randomly some fabrics are tested in order to detect defaults. It will involve some changes in the disposition to cut them in case of default.

3. Cutting Fabric

According to the pattern designed the fabric is cut in 26 pieces to make up by machines.

-Quality control stations

4. Half-Canvassed Suit Jacket

Natural drape and shape provided by the canvas where the suit needs it: the chest and the lapel.

(-Horsehair traditionally but mostly canvas underneath the wool shell of the suit)

-Quality control stations

5. Sewing

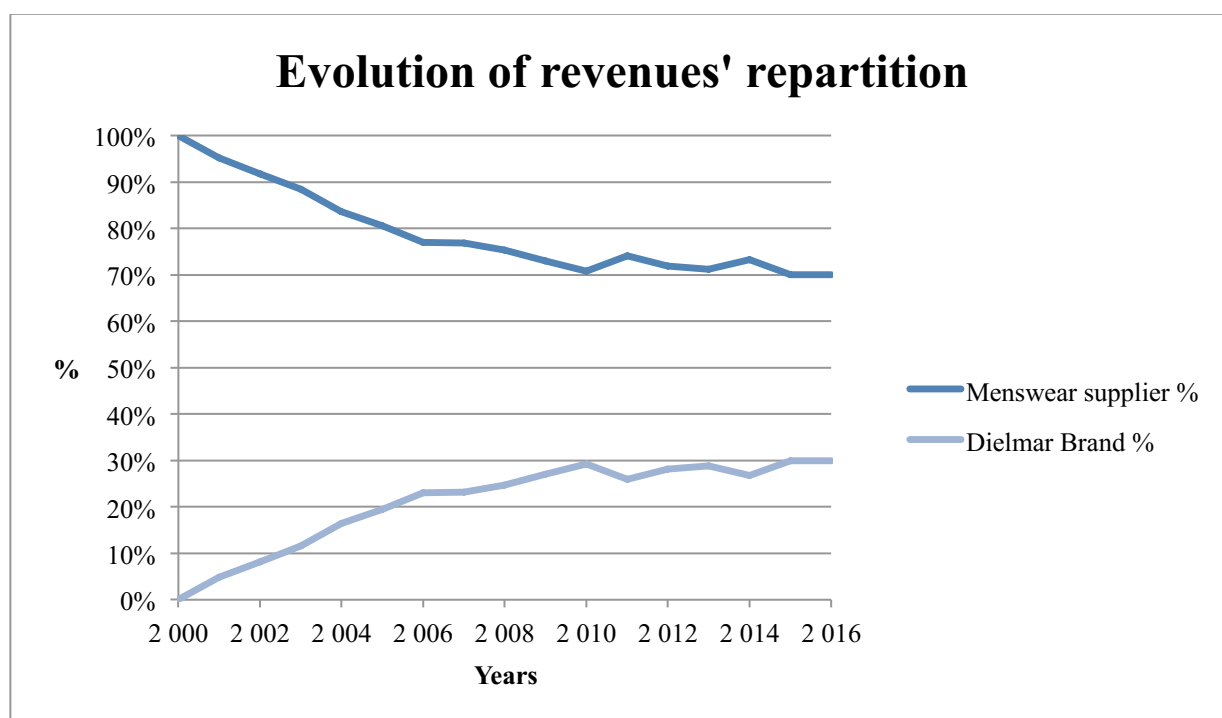
Sew the 26 fabric parts together and also all the different elements as the buttons, the label and so one. In total, a Jacket has 80 elements.

Semi-automatized depending on which fabrics should be put together. For instance, to sew the sleeves is a complicate and long process. There is no precise guideline. The seamstress sews the sleeve with the chest screwing the fabric.

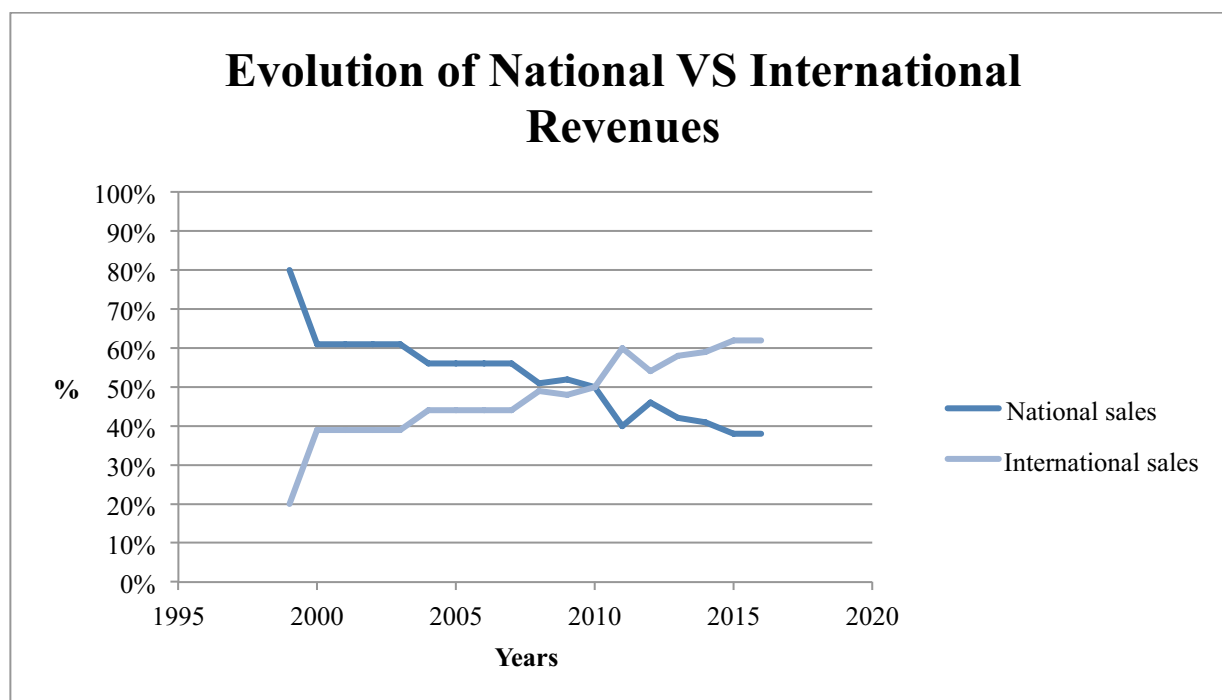
-Quality control stations

- Final quality control station before to pack products.

Appendix 7. Evolution of Dielmar's revenues (%) between its activities from its own-label and from contract manufacturer



Appendix 8. Evolution of Dielmar's revenues (%) - National VS International



Appendix 9. Ready-to-wear Dielmar lines

4 LINES	<i>Dielmar Must</i>	<i>Classic</i>	<i>Soft</i>	<i>Cerimonia</i>
Products' characteristics	-Fashion -Confortable -High quality fabric	-Traditional -Flagship -Confortable -Elegance -Quality	-Casual -Quality	-Special event -Quality -Unique
Price euros (on average)	Between €100 - €1000	€1000 (complete suit)	€40 for a tie €400 for a coat	A wedding suit costs €1500

Ready-to-wear Dielmar products



3. Theoretical Support

Historically, the Competitive Advantage (CA) was defined as firm's position and market share. However, the only focus on external perspective limited its explanation. Indeed, Barney (1991) showed that it was not a sufficient reason to explain why some firms were successful in unattractive and high-competitive market. Therefore, he developed an internal assessment model by showing that company with valuable, rare, inimitable resources and organization (VRIO) (Barney, 1997) explicate the fundamental purpose of the CA. Nonetheless, by involving only the firm's critical resources to explain the competitive advantage is the same as excluding the external assessment. Therefore, Teece (1997) introduced the Dynamic Capabilities (DC) view, which combined both environments by highlighting the importance of this combination to find the right path. Moreover, he showed that the ability to organize firm's resources could not be a resource itself but it comes from the firm's capability to continuously enhance alignment of resources and market. Indeed, the external environmental is more and more dynamic and it is necessary of adapting to changes and fitting to the environment.

“Sustained competitive advantage has become more of a matter of movement and ability to change than of location or position”

Stalk, George, Evans, Philip, & Shulman, Lawrence (1992)

Therefore, firm's resources without market fitting were not anymore relevant for the firm. Nevertheless, the Resource Based View (RBV) and the DC view are complementarities to understand how firms can achieve a competitive advantage over time.

3.1. Resources-Based View - The foundations of Dynamic Capabilities

“Business enterprises consist of portfolios of idiosyncratic and difficult-to-trade assets and competencies”

Teece (2007) p. 1319

The reference is based on Resource-based theory of the enterprise by Rumelt (1984), Wernerfelt (1984), Amit and Schoemaker (1993) and others.

Barney (1991) defined the sources of CA by the asset portfolio of a business organization as a “bundle of resources” owned to develop, manufacture and deliver products or services to customers. Their natures could be financial, physical, human and organizational assets (See Figure 2). These elements could be tangible as machines or intangible with the human components (Duncan, Ginter and Swayne, 1998).

Figure 2. Sources of firm’s resources

Type of Resource	Financial	Physical	Human	Organizational
Sources	-Debt -Equity -Retained earnings	-Machines -Manufacturing facilities -Allowing operations	-Experience -Knowledge -Judgment -Risk taking -Propensity -Wisdom of individuals	-History -Relationships -Trust -Organizational culture -Management

Source: Adapted from Barney, 1995 - p. 50

In addition, the resources must be valuable, rare, inimitable and organization (VRIO model) (Barney, 1997). Also the firm’s behavior in the organization of resources is required to achieve a CA.

Valuable - “Resources add value to exploit opportunities and/or neutralize threats?”

Resources will have a value by determining the wants of customers through the opportunities identification and by delivering the desired needs thanks to the neutralization of threats. Nevertheless, the value of the resources will not be created until the company owns capabilities to make use of them.

Rareness - “How many competing firms already possess these valuable resources?”

The valuable aspect of the resource has to be reinforced by its uniqueness. Otherwise, many actors will create the same value.

Inimitability and Non-substitutability - “Do firms without a resource face a cost disadvantage in obtaining it compared to firms that already possess it?”

Even if a firm owns valuable and rare resources the time variable could change those characteristics. Indeed, the competing firms could find a path to own the same resources analyzing, identifying and duplicating them. Or even they could find another way to offer the same value creation thanks to the resource substitution. Nevertheless, it is possible to avoid the mimetic process if there are cost disadvantages.

The main sources of inimitability are intangible and directly linked to the resources: the History, the Numerous Small Decisions and the Socially Complexity of the firm (Barney, 1991). Firstly, the history of the firm defined its identity and its uniqueness. Indeed, the essence of the past is its gone character. Secondly, the firm's journey is composed by big and small decisions. The competing firms could easily see the big ones but for the others it is a lost cause. And the creation of resources stems from the accumulation and interaction of small decisions. Thirdly, the firm's social aspect through its reputation, trust, and culture could not be properly replicate due to the specificity and complexity of their foundations and interferences.

Organization - “Is a firm organized to exploit the full competitive potential of its resources?”

The valuable, rareness and inimitability of resources make sense in the acquisition of CA if only the firm can organize them. However, the RBV view does not address a clear definition of “Organization”. Indeed, it seems to be “something else” or the process to organize the whole resources. Nevertheless, how a resource could manage other resources? Having the same characteristics how a resource can define or organize its equals?

After analyzing the RBV to demonstrate the firm's CA achievement results from the existence of critical resources used in a superior way at a point of time (t) (Peteraf and Barney, 2003). It was undeniable to observe the static outlook on the firm competitiveness. As a matter of fact, the RBV literature omitted the ongoing environment changes. By introducing customers, technology advancements, it highlighted the RBV limits in the CA explanation (Teece, 2007). Moreover, that is all the more true at a time when business environments are strongly influenced by market globalization, innovation and technology advancement (Evans, Hagiu, and Schmalensee, 2006). Recent researches and businesses studies show that the sustainability of CA is decreasing over time (Wiggins & Ruefli, 2005). The evolutionary context was the starting point of new CA's explanation: DC view.

“How firms can cope with changing environments”

(Barreto, 2010. p 256)

Moreover, DC researchers showed that the “Organization” in the VRIO model could not be defined as a resource but as the capability of the company to continuously integrate resources (Kraaijenbrink et al., 2010).

Nevertheless, DC concept used RBV as a part of its foundation. By taking into account time variable and environmental changes (t+1) (Barney et al., 2001), firms have to own valuable, rare and inimitable (VRI) capabilities to achieve CA (Cardeal and António, 2012).

3.2. Dynamic Capabilities

The DC view explains the firm’s competitive position over time (Barreto, 2010; Eisenhardt and Martin 2000; Teece et al., 1997).

“Dynamic capabilities enable business enterprises to create, deploy, and protect the intangible assets that support superior long-run business performance.”

(Teece, 1997. p 1319)

In order to be sustainable competitive, the firm must own *“ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments”* (Teece, Pisano & Shuen, 1997, p.516). Nevertheless, the resources remain important, they are the inputs in the development of capabilities. According to Cardeal and António (2012), the inputs of the capabilities are the resources. The capabilities define the outputs; which correspond to the features of the firm’s CA. Through a case study the authors demonstrated that RBV does not explain the achievement of the competitive advantage. The CA stems from the firms’ possession of VRI (valuable, rare and inimitable) capabilities.

“The competitive advantage stems from a VRI capability”

(Cardeal and António, 2012. p 10169)

Having presented the DC view relevance, it is essential to explain the process to develop it. DC literature granted as a multidimensional procedure (Edwards, 2001, Teece et al. 2007). According to Teece (2007), DC is an ongoing process divided into three stages: (1) sensing and shaping opportunities and threats, (2) seizing opportunities and (3) managing threats and reconfiguration (Figure 3).

- (1) Firms' technology and market orientations underlie sensing and shaping opportunities and threats. Enterprises must constantly search and examine their environments. In compliance with the global and fast business evolution, firms have to expand their exploration across both 'local' and 'distant' markets. This activity should occur through explicit investment research (Internally: R&D, select new technologies/ Externally: Science and technology) to leverage opportunities, to understand the implicit structural evolution (Supplier and Market/ Customer-orientation) and to adapt to customers needs. Those activities require information's access and recognition's skills. Both stem from the individual's capabilities (entrepreneurial character) (Baretto, 2012) and knowledge capacities of the firm (research and development activity). That's why; the firm's knowledge management is critical for this scanning stage in the daily operations to shape the company's future.
- (2) After the new opportunity is sensed, it has to be developed in the firm's value chain through "products, processes, or services" by defining customer solution, selecting decision-making protocols and enterprise boundaries, and finally by building loyalty and commitment (Teece, 2007). This reconfiguration achievement is based on the firm's market-oriented decisions (Menguc & Auh, 2006). Furthermore, the time in the decision-making is also a crucial component (Eisenhardt and Martin, 2000) to "*accomplish the reconfiguration ahead of competitors*" (Teece et al., 1997, p. 521).
- (3) After the two first stages, the firm has identified, incorporated and benefited from opportunities; it has achieved growth and profitability. This profitable situation creates firm's routines because it used to satisfy the same customers' needs. Nevertheless, the routines have a short-term perspective. As mentioned above, the business environment changes and when shocks happened in firm's market; it has to be prepared and react. Enterprise must have the propensity of changes to reconfigure resources by integrating new activities, decentralizing some of them, and by managing and teaching new knowledge (Eisenhardt & Martin, 2000; Helfat et al., 2007; Teece et al., 1997; Teece, 2007). It is a difficult issue; changing routines is costly and leads to anxiety within the organization (Teece, 2007). Moreover, internal operations and daily tasks tend to distract management from long-run strategic issues (Teece, 2007). Though, the firm has to find the

equilibrium between routines and changes to maintain a sustainable competitive position.

Figure 3. Internal Foundations of DC and Business Performance

<i>Multidimensional process</i>	(1) Sensing and shaping opportunities and threats	(2) Seizing opportunities	(3) Managing threats and reconfiguration
<i>Firm's internal implementations</i>	Analytical Systems (and Individual Capacities) to Learn and to Sense, Filter, Shape, and Calibrate opportunities	Enterprise Structures, Designs and Incentives for Seizing opportunities	Continuous Alignment and Realignment of Specific Tangible and Intangible Assets

Source: Adapted from Teece, 2007

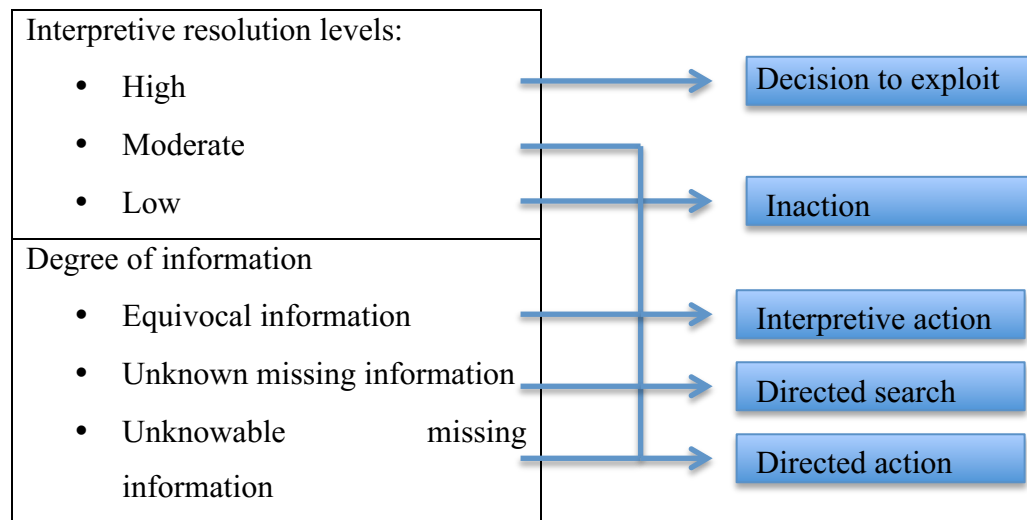
3.3. The meaning of Entrepreneurship in the DC process

All along the DC multidimensional procedure, enterprise's top managers have a critical role. They must be entrepreneurial in order to trigger and to maintain the DC procedure. The main characteristic of the entrepreneur is the propensity to sense and shape opportunities (Drucker, 1954). According to Alvarez and Barney (2007), there are two major perspectives in the opportunity formation: (1) a *discovery view* for exogenous shocks and (2) a *creation theory* for endogenous shocks.

- (1) For the discovery view, the alertness of the entrepreneur is the trigger of the opportunity formation. In the entrepreneurial researches, alertness is defined as the ability to sense opportunity without search. Nevertheless, entrepreneurs are able to discover without searching if the opportunities are related to prior experience and knowledge (Shane, 2000).
- (2) At the contrary, the creation view opportunities are constructed based on entrepreneur's actions and perceptions. Opportunities stem from the entrepreneur and his environment.

Then, the entrepreneur interprets the opportunity by giving meaning to information from a given shock. The entrepreneurial interpretation is defined as the combination of interpretive resolution levels and the degree of information (Barreto, 2012). The opportunity exploitation is based on the results of entrepreneurial interpretation summarized in Figure 3.

Figure 4. A model of entrepreneurial interpretation effects



Source: Barreto, 2012 - p.365

If the entrepreneur takes the decision to exploit the opportunity, he will impact the firm's organization.

"The function of entrepreneurs is to reform or revolutionize the pattern of production"

Schumpeter, 1934

The entrepreneur is highly proficient to configure and reconfigure resources and consequently to impact knowledge management and firm's organization (Teece, 2007).

4. Teaching Notes

4.1. Introduction

The purpose of this thesis is to apply past theories to a specific real case. The theories analyzed in the previous section will support the case analysis in order to understand:

“How does Dielmar build up its competitive advantage?”

Moreover, it is a support to answer to the question:

“How do dynamic capabilities allow the relevance of the resources in order to sustain a competitive advantage?”

Thanks to the development of the theoretical background the understanding of the DC’s role in the interconnection between Resources and CA is settled down.

The teaching notes are for teacher’s use. The purpose is to provide guidelines on the way to conduct the class discussion. This section provides general recommendations; nevertheless according to the subject taught the class discussion might be different.

4.2. Synopsis

Dielmar was founded in 1965 in Portugal. The company operates in the menswear premium market. It is a fashion designer, producer and distributor of menswear garments through its own label but it also produces for other brands as a contract manufacturer.

In 1999, the company rethought its business sensing the impending threat in the Portuguese menswear manufacture industry. It was necessary to manage this threat by adapting and innovating Dielmar’s activities. Dielmar created its own-label. For 35 years Dielmar was producing for different menswear brands. This experience gave them suitable knowledge about the industry mechanisms. The creation of the brand was a long process. The company had to face new requirements integrating new resources and it became more vertically integrated. The company continues sustaining its capabilities of high-quality garments as a contract manufacturer but also it is seeking to increase its brand recognition and expansion thanks to its traditional craftsmanship. The retail strategy of the company is also aligned with

the integration of the upstream activities by expanding its fully integrated value chain with investments in the direct-to-customer channels both online and offline.

Nevertheless, even possessing great resources, it might be difficult for Dielmar to transfer its contract manufacturing activities into exclusive operations for its own brand. How does Dielmar use efficiently its resources to develop its capabilities to sustain its competitive advantage?

4.3. Teaching objectives

The case presented captures several aspects taught in previous classes and provides students more credibility and a better understanding of the theories.

Thanks to the several topics of the case such as market opportunities and threats but also the internal assessment, students could deeply study the strategic framework. Furthermore, students will be able to analyze the case study by using previous theories and their adaptation thanks to the VRIO model (Barney, 1997), then the DC view and procedure (Teece, 2007) with the combination of the findings from Cardeal and António (2012). Moreover, they will understand the meaning of entrepreneurship in the DC procedure (Barreto, 2007).

The objectives of the case is to teach students:

- The external factors that have to be taken into account in the industry, the main threats and opportunities in the expansion of the company.
- The internal resources that have to be owned for the company development. Furthermore, the process to connect and organize them in order to fit with the industry. Understand the DC process and the importance of resources in the building up of CA.
- How a contract manufacturing company can expand its value-chain and enter in its clients' market.
- The role of the leader in the company's development.

All the necessary information to resolve those topics and the questions related are provided in the case and the appendices.

4.4. Recommended Assignment Questions

In order to help the students in their case analysis and to guide the teacher throughout the case discussion different questions could be raised. The theoretical background taught during classes should accompany this work.

- **What are the main resources of Dielmar?**
- **Analyze each resource individually in terms of value, rareness and inimitability (Barney, 1997, Cardeal and António, 2012). *Obviously, if an input is non-rare, competitors will be able to develop and duplicate it. Considering a resource non-rare conducts to not study its inimitability.* How does Dielmar take advantage of these resources? Highlight the two capabilities of Dielmar's brand? And demonstrate the contribution of each input (resources) in the Dielmar's CA (defined by the two capabilities).**
- **Analyze the development of the Dynamic Capabilities according to Teece (2007). *The DC multidimensional procedure: (1) sensing and shaping opportunities and threats, (2) seizing opportunities and (3) managing threats and reconfiguration.***
- **Perform an analysis of Ana Paula Rafael's role through the DC procedure explained above (Teece, 2007).**

4.5. Discussion

To understand Dielmar's evolution and choices its resources will be highlighted and then show that independently and without renewal they are not significant to create the firm's CA. Indeed, the DC of Dielmar will be analyzed to demonstrate their utility and to explain how they make the resources relevant. According to the Dielmar's journey, history and development I decided to focus the DC analysis on the most recent capabilities established: the Dielmar brand's development. The causal ambiguity between both capabilities is sufficient to explain Dielmar's CA. Moreover, the environmental shocks had strongly influenced its development; that's why, its analysis is valuable to apply the DC framework according to its strong dynamic character. Finally, the entrepreneurial aspect will be considered and studied in the DC procedure.

What are the main resources of Dielmar?

According to Barney (1997), the nature of firm's resources stem from financial, physical, human and organizational intangible and tangible assets.

The five distinct resources are:

- (1) *Manufacturing/ sales facilities* are physical assets of the company. This resource is defined by the raw materials, all the machines, the plant, Dielmar stores.
- (2) *Technical knowledge* is intangible human assets used to produce and sell the garments. They are also responsible to test patterns, to streamline the production, to control products.
- (3) *Creative design* defines the traditional craftsmanship. The company could design trendy, unique product. It is the DNA of the brand, which sets itself apart from the competition. As with the luxury business model, Dielmar creates its unique DNA and brand awareness.
- (4) *Technical design* is the operation step in which the design is converted into a new product. This resource allows targeting customers and sustaining their loyalty.
- (5) *In-house processes* focus on the firm's operations to ensure the smooth running of all the value chain from the relationship management of suppliers for the raw materials to the sale forces.

(a) Analyze each resource individually in terms of value, rareness and inimitability
(Cardeal and António, 2012).

Obviously, if an input is non-rare, competitors will be able to develop and duplicate it.

Considering a resource non-rare conducts to not study its inimitability.

(b) How does Dielmar take advantage of these resources? Highlight the capabilities of
Dielmar's brand?

(c) Demonstrate the contribution of each input (resources) of Dielmar's CA (defined by
the capabilities)

(a)

According to the VRIO model (Barney, 1997), the resources individually are analyzed in terms of value, rareness, and inimitability.

Figure 5. VRI analysis

	VALUABLE	RARE	INIMITABLE
<i>Manufacturing/ sales facilities</i>	—	—	—
<i>Technical knowledge</i>	—	+	—
<i>Creative design</i>	—	+	—
<i>Technical design</i>	—	+	+
<i>In-house processes</i>	—	+	—

(1) *Manufacturing/ sales facilities* - This resource is necessary to produce and to sell the garments but not valuable without operating them. Even it is not rare and competitors can possess identical assets, it has taken 50 years for Dielmar to own them.

(2) *Technical knowledge* - As mentioned for the first resource if there are no raw materials and so on, this knowledge will be not transformed into a capability. Also, the in-house processes are undeniable linked with this resource in that the company offers training, organizes and manages employees' skills to continuously improve them.

Analyzing employees' skills of the company demonstrated that it is a rare resource. Indeed, the employees must be qualified to perform their daily tasks. For the workers as seamstresses their knowledge, skills are due to a little training but mostly thanks to their experiences and training within the company. For engineers, and supportive area's employees, they have a solid academic formation. Nevertheless, it is imitable; a competitor can find on the labor market some similar workers with the same qualified skills and trained them to be as proficient as Dielmar's labor force.

(3) *Creative design* is not valuable without be connected with other resources. The company could design trendy, unique product with a traditional craftsmanship but if they are not produced thanks to manufacturing facilities, technical knowledge, it will not be converted into capabilities. However, it is rare resource. Indeed, it is the DNA of the brand, which sets itself apart from the competition. Dielmar creates its unique DNA and brand awareness by controlling such activities. Nevertheless, competitors could soon duplicate it after the first disclosure of the products. Consequently, the creative design input is imitable.

(4) *Technical design* - This resource maintains and exceeds customer expectations. It is only valuable thanks to the combination with other resources: creative design, technical knowledge, etc. In addition, Dielmar offers the confection by demand and by measure, which bestows an inimitable character of this resource.

(5) *In-house processes* - Naturally, this resource requests the technical knowledge of employees or other value chain components to be activated. Individually, it has no value. But it is rare in the sense of the firm's experience and all processes are well defined and orchestrated. Indeed, the strategic management of the production process is not enough sophisticated to not be imitated by competitors. Competitors in the same industry with determinism could imitate it.

To conclude none of resources are valuable individually.

(b)

Resources must be connected to be valuable and to build Dielmar's CA. Consequently, they are not considered more than sources, inputs, to achieve the CA. Dielmar has a CA thanks to the capabilities of developing high-quality garments and sustaining the traditional craftsmanship by connecting *the manufacturing facilities, the technical knowledge, the creative design, the technical design with the in-house processes*. Moreover, it is valuable because of Dielmar opportunities identification and threats remoteness.

(c)

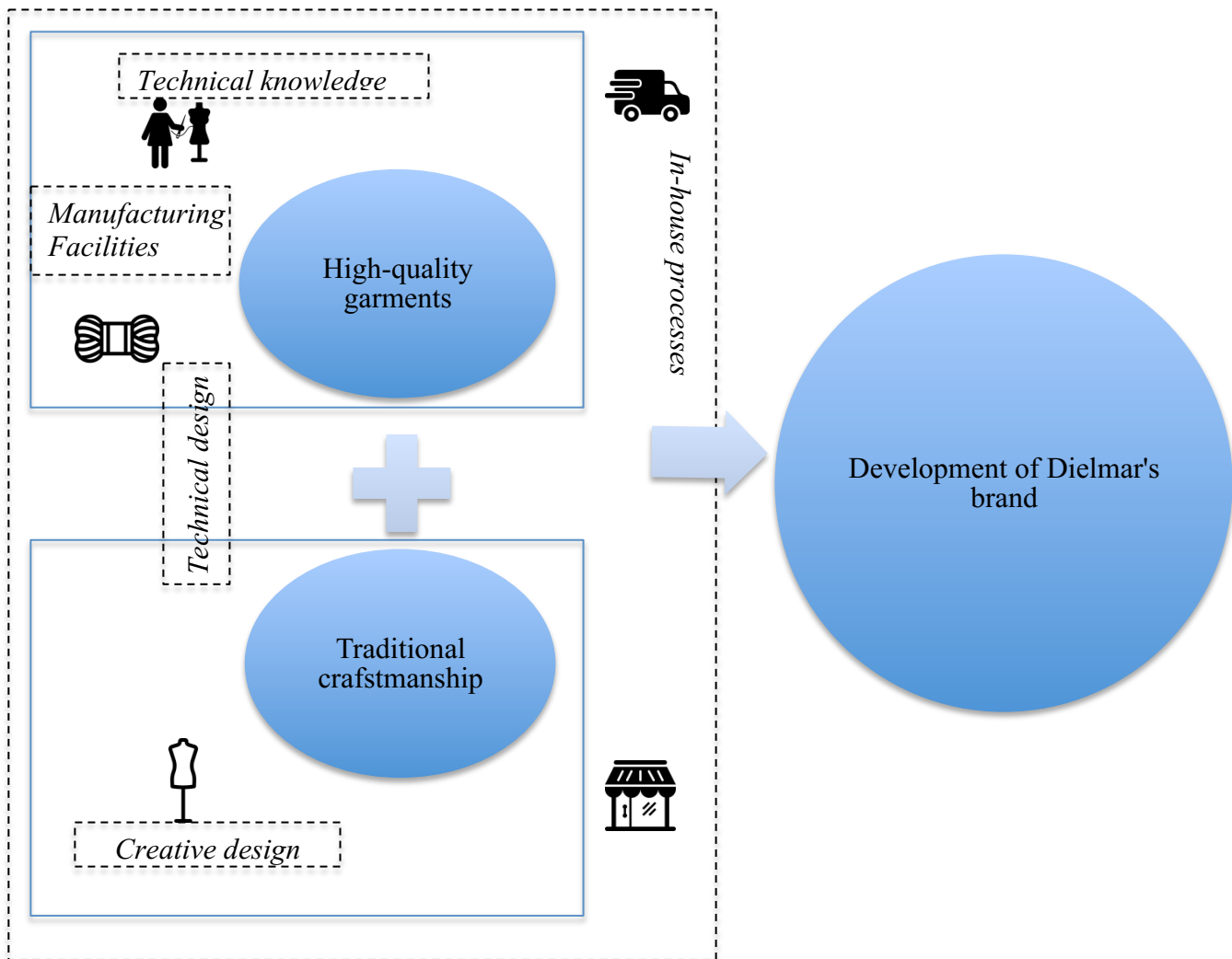
In the following table (Figure 5) the five distinct resources are defined as the main components of Dielmar's CA by two capabilities: (1) developing high quality garments and (2) sustaining the traditional craftsmanship.

Figure 6. Equation between inputs and capabilities

<i>INPUTS</i>		OUTPUTS (capabilities)	
<i>Resources</i>		Developing high-quality garments	Sustaining traditional craftsmanship
<i>Manufacturing/sales facilities</i>		-Streamline production	-Expertise, brand identity, uniqueness
<i>Technical knowledge</i>		-Quality of the garments	-Quality of the garments -Distinctiveness of the products
<i>Creative design</i>			-Brand awareness and recognition (DNA)
<i>Technical design</i>		-Maintain and exceed customers' expectations	-Maintain and exceed customers' expectations
<i>In-house processes</i>		-Monitoring the demand	-Monitoring the demand -Distinctive menswear -Developing the brand

To sum up, Dielmar's capabilities are the result of the integration of the five resources with a perpetual markets fitting (Figure 7).

Figure 7. Dielmar's capabilities



Having demonstrated the irrelevance of the resources without the capability of connection, we will analyze how Dielmar obtains a sustainable CA. Indeed, DC confer to the company the ability to build and to protect resources to respond to the environment. The company capability is sustaining its traditional craftsmanship and developing high-quality garments through its own label: Dielmar's brand. The enabling factor of the value creation is Dielmar's capability to run the whole value chain. And it is the result of the resources combination. The connection of *manufacturing facilities*, *technical skills*, *creative design*, *technical design* and *in-house processes* is a complex path and it reinforces the inimitability by competitors. More the linkage of the bundles of resources is complex the more difficult for competitors to copy them. Therefore, the CA could be sustained over time (Cardeal and António, 2012).

In 1999, when the actual CEO, Ana Paula Rafael, joined the company she sensed the impending threat in the Portuguese menswear manufacture industry. She recognized that in

the long-term Dielmar's activities will have decreased it was necessary to adapt their activities to a new market by becoming a final brand offering Dielmar's products. Moreover, the opportunities of the menswear market were very appealing.

Analyze the development of the Dynamic Capabilities according to Teece (2007). The DC multidimensional procedure: (1) sensing and shaping opportunities and threats, (2) seizing opportunities and (3) managing threats and reconfiguration.

According to Teece (2007), the development of the DC is a multidimensional procedure divided into three stages: (1) sensing and shaping opportunities and threats, (2) seizing opportunities and (3) managing threats and reconfiguration. To understand how Dielmar goes through the whole process, we will study each stage.

The most relevant opportunity identification occurred when the company identified the changes in the textile manufacturing industry in Europe and the lack of offer in the menswear market. It was sustained by the observation and acquisition of external science and technology. For 35 years Dielmar was producing for different menswear brands. This experience gave them suitable knowledge about the industry mechanisms. Then, the internal company assessment demonstrated Dielmar's potential to develop its own brand; it already owned suitable resources.

Figure 8. Foundations of Dielmar's opportunities detection

Sensing and shaping opportunities and threats	
<i>Direct internal R&D and select new technologies</i>	✓
<i>Exploit exogenous science and technology</i>	✓
<i>Identify target market segment, changing customer need and customer innovation</i>	✓

Source: Adapted from Teece (2007)

According to the market opportunities, Dielmar selected the technology and product architecture for the development of its label. The important task was the design; nevertheless, the expertise of Dielmar labor force combined with new resources acquisition created customer value. Moreover, to further develop the value chain, the company recognized the complementary of its new activities with the actual ones and used its inflexion points to capture the specialization economies. In addition, the downstream activities with the first own-store built loyalty and commitment of the company with high investment and reinforcing brand communication.

Figure 9. Foundations of Dielmar's opportunity exploitation

Seizing opportunities	
<i>Delineating the customer solution</i>	✓
<i>Selecting decision-making protocols</i>	✓
<i>Selecting enterprise boundaries to manage complements and control platforms</i>	✓
<i>Building loyalty and commitment</i>	✓

Source: Adapted from Teece (2007)

Having identified the opportunities, undertaken and structured the new activity, the company started to delimitate parameters to sustain it. Dielmar integrated external knowledge as the director designer and new employees for the downstream activities. Obviously, it was necessary to govern and manage these new activities. Moreover, the outsourcing of sales activities created governance procedures to supervise and to transfer brand identity and awareness. Those actions are coupled with decentralization. However, to align all procedures and to maintain the previous ones, the company had to reconfigure the Human Resources thanks to the knowledge management by learning, transferring, and integrating new skills and expertise.

Figure 10. Foundations of Dielmar's threats management and reconfiguration

Managing threats and reconfiguration	
<i>Decentralization</i>	✓
<i>Governance</i>	✓
<i>Integration of new activities</i>	✓
<i>Knowledge management</i>	✓

Source: Adapted from Teece (2007)

We will study the CEO in the development of Dielmar's capacity. It was mostly her vision and objectives that conducted to develop Dielmar's label.

Perform an analysis of Ana Paula Rafael's role through the DC procedure explained above (Teece, 2007).

All along the DC multidimensional procedure, Ana Paula Rafael had a critical role; she was entrepreneurial in the sense of she triggered and she maintains the DC procedure.

Her role will be analyzed through the Teece's DC procedure.

Figure 11. Assessment of the Entrepreneur involvement in the DC procedure

Ana Paula Rafael involvement	
<i>Sensing and shaping opportunities and threats</i>	<ul style="list-style-type: none"> -Threats in the Portuguese menswear manufacturing industry -Opportunities in the menswear market (sell final products through its own-label)
<i>Seizing opportunities</i>	<ul style="list-style-type: none"> -Creation of Dielmar's brand -Hire external skills/ high investments
<i>Managing threats and reconfiguration</i>	<ul style="list-style-type: none"> -Expansion of the brand -Go to new markets

Source: Teece (2007)

Sensing and shaping opportunities and threats

As it mentioned in the Theoretical Background section: the main characteristic of the entrepreneur is the propensity to sense and shape opportunities. There are two major perspectives in the opportunity formation:

- (1) The *discovery view* for exogenous shocks. Ana Paula Rafael joined the company when the Portuguese menswear manufacturing industry was facing tremendous changes: relocation of production from Portugal to new competitive markets.

“I really understood the importance of finding a new path to stay alive with the entrance of Asian competitors ”

Ana Paula Rafael - CEO

(2) The *creation theory* with endogenous shocks: to respond and to perform. It was essential to upgrade the manufacturing activities. Nevertheless, the company had to prove that even a decrease of the advantage to be a labor-intensive manufacturing company Dielmar could provide other advantages, mainly developing high-quality garments. Nevertheless, it was crucial to shape activities in order to enter in a new market.

“After a lot of years being present in the menswear manufacturing industry I realized that some offers were missing: ceremony garments and also made-to-measure”

Ana Paula Rafael

Seizing opportunities

Afterward Dielmar focused on the acquisition of high-tech production and the reinforcement of the craftsmanship with its own-brand. Dielmar developed high-tech production; it launched strategic initiatives and processes to streamline logistics facilitating production and monitoring of the market. Employees were trained and logistics processes improved in both supportive and manufacturing areas⁵. Those organizational improvements allowed the company to meet the demand, to remain a competitive manufacturer and to launch Dielmar's label. The company integrated the last part of the value chain. The creation of the brand was a long process; in which, the company had to face new requirements integrating new resources. Firstly, the company integrated the R&D-Design team in the upstream activities. Secondly, they opened their own stores.

Managing threats and reconfiguration

The CEO is conscious of the strong competition in the menswear manufacturing industry. Asian markets stay very competitive and it is more and more difficult for the company to compete. That's why; the strategy is to become more a fashion brand with an integrated value-chain than producing for other brands. To go through the future steps, the company maintains its CA by: (1) developing high-quality garments and (2) sustaining its traditional craftsmanship.

⁵ ISO 9001 norm certification

5. Conclusion

This dissertation was written to analyze the challenges that a Portuguese fashion company, Dielmar, faces in building up its competitive advantage over time.

In order to conduct this analysis I applied past theories to a practical case. By considering the interconnection between resources and dynamic capabilities it explains how Dielmar build up its competitive advantage and it sustains it. I decided to focus the dynamic capabilities analysis on the most recent ones established to develop Dielmar's brand.

As the 21th century dawned, Dielmar sensed threats in the Portuguese menswear manufacture industry and found out opportunities in the menswear market. In order to seize these opportunities and to manage threats, Dielmar decided to launch its own-label: Dielmar Brand. The external environmental is more and more dynamic and it was necessary of adapting to external shocks and internal changes.

The main question is to understand how Dielmar build up its competitive advantage by developing its own-label. The dynamic capabilities view explained how Dielmar integrates its resources and makes them relevant to achieve a sustainable competitive advantage.

Based on the resource-based view (Barney, 1997), Dielmar's resources are defined as *manufacturing facilities, technical skills, creative design, technical design and in-house processes*. I showed that those resources must be connected to be valuable and to build Dielmar's competitive advantage according to the dynamic capabilities view (Teece, 2007) with the combination of the findings from Cardeal and António (2012). The high-quality and the traditional craftsmanship of the products are the result of the integration of the five resources with a continuously market fitting. The connection of resources is a complex path and it reinforces the inimitability by competitors. More the linkage of the bundles of resources is complex the more difficult for competitors to copy them. Therefore, the competitive advantage could be sustained over time (Cardeal and António, 2012). To understand how both capabilities have been building, I studied the dynamic capabilities multidimensional procedure (Teece, 2007). Finally, I showed that the entrepreneur has a critical role in the capabilities' development. All along the dynamic capabilities multidimensional procedure, Ana Paula Rafael, the CEO, was entrepreneurial in the sense of she triggered and she

maintains the dynamic capabilities procedure. Her role is analyzed through the Teece's dynamic capabilities procedure and in the opportunity formation (Barreto, 2007).

To go through the future steps, the company sustains its capabilities. The retail strategy of the company is aligned with the upstream strategy expanding its fully integrated value chain with investments in the direct-to-customer channels both online and offline. The aim is to have greater contact with customers providing constructive feedbacks and to manage the overall purchase experience. Indeed, Dielmar wants to directly transfer its traditional craftsmanship and demonstrate the high-quality of its garments. Furthermore, the company wants to decrease the intermediary costs.

Nevertheless, this study has certain limitations.

- This dissertation should not be generalized. It is a particular study applied to a specific company, Dielmar. However, the analyses could be used in the same manner for other studies.
- My research was very dependent on the company and leaders' availability. Moreover, the company's headquarter is located in Alcains, 230 km from Lisbon. Even if they were very accessible and gave me the opportunity to spend two days within the company. Still, the dependency was an obstacle.

In a future research, it would be interesting to go further on the internationalization process. Dielmar becomes more and more international by developing its sales activities abroad. Obviously, the company will face new challenges and it could be valuable to follow its future steps.

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*“Life isn’t about finding yourself. Life is about creating
yourself”*

George Bernard Shaw